

**MEETING OF THE SOUTH CAROLINA
STIMULUS OVERSIGHT, ACCOUNTABILITY AND COORDINATION
TASK FORCE
Room 504 – Blatt Building
May 28, 2009**

I. Call to Order and Adoption of Proposed Agenda:

Meeting was called to order by Comptroller General Eckstrom. The proposed agenda was adopted and the meeting came to order.

II. Approval of Minutes of Previous Meeting:

Minutes from previous Task Force meeting of April 9, 2009 were approved.

There was a short discussion on what stimulus funds agencies had received to date. It was reported that approximately \$280,000.000.00 has been recorded in the State's central accounting system (STARS). A detailed report would be made later in the meeting.

Mr. Eckstrom thanked everyone for being there and asked that the members of the Task Force and the Working Groups introduce themselves.

Mr. Eckstrom stated that most of the work has been accomplished through the working groups established at the last Task Force meeting. He stated that each working group will be making their individual reports, but that the working groups overlap each other. It is very important that each group keep the other groups informed. Although five working groups were established at the last meeting, the Guidance Working Group and the Reporting Working Group have now been combined. Using four working groups will help spread out the work load.

There was a brief discussion of the memo from the Comptroller General regarding tracking stimulus funds. It was noted that three agencies are currently using subfunds:

Lt. Governor
DHHS
Employment Security

III. Working Group Reports:

Accounting Working Group - Jennifer Muir

See minutes from May 7, 2009 - Next meeting June 4, 2009

Mission Statement:

To promote compliance with the Updated Procedures for Tracking American Recovery and Reinvestment Act Funds in the State's central accounting system. To monitor American Recovery and Reinvestment Act funds received and expended by state agencies.

Ms. Muir stated that the Accounting Working Group discussed the memo regarding accounting and tracking issues. She said that three agencies to date are using sub funds created uniquely for their agency and referenced the STARS reports that show receipts of stimulus money. The working group is still looking at expenditure reports and trying to figure out what the requirements will be. There are no significant exemptions that we should not be able to account for.

She discussed the issue of how the Task Force will need to account for non-STARS agencies such as colleges and universities and technical colleges that will be receiving stimulus money. The consensus was that presently there was no way to capture information about funds received and expended by non-STARS agencies. However the Task Force will most likely be required to report this information to the federal government.

Mr. Eckstrom stated that this was a real issue that we must deal with and that there needs to be a great deal of effort to capture the information showing the receipt and expenditure of stimulus funds by all agencies. He noted that each STARS agency should refer to accounting policies and procedures that have been established. Unique sub-funds have been created for each agency to capture information about state agency stimulus funds that are received. The accounting policies and procedures may prove difficult to implement in some cases. Efforts have been made to simplify these procedures for certain agencies if there is a hardship, but our goal is to minimize exemptions.

Audit/Verification Working Group - Rich Gilbert

See minutes from May 7, 2009 - Next meeting May 26, 2009

Mission Statement:

To provide guidance to State recipients of American Recovery and Reinvestment Act (ARRA) funds to ensure that ARRA funds are accounted for and expended in accordance with applicable federal laws and regulations; and to ensure the transparency and accountability of ARRA funds.

The Working Group has met twice and has been looking at the guidance from the federal government and the audit resources that are available on both the state and federal levels.

Mr. Eckstrom brought up the sub-recipient issue. He cited the Department of Education (DOE) as an agency that probably had one of the most complicated tasks in tracking sub-recipient data.

Betsy Carpenter stated that DOE already has to report and will possibly be able to use its existing system. She said since the agency receives lottery funds, DOE has a web based lottery funds system and has to report these separately. She hopes that DOE will be able to modify the software the agency is currently using to capture the stimulus data necessary for reporting.

There was a discussion about the state level federal grants reporting system. The Governor's Office noted that there was a centralized mechanism for sub grantees. Frank Fusco suggested that the Reporting working group follow up with an additional survey to look for common software for sub-recipients and sub-grants.

Scott Houston discussed the web prototype application that had been developed to meet the OMB data reporting requirements. He discussed the Power Point Presentation which was attached to the

agenda for this meeting. He stated the application will allow public viewing of the state agency information about stimulus funds with some limitations.

A number of subjects were then discussed:

- Section 1512 reporting specified in the ARRA
- What entities are defined as “recipients”
- What entities are defined as “Sub-recipients”
- Requirement to enter data in two different reporting systems
- Ability to import and export data

Mr. Eckstrom summarized the discussion noting this comes down to be a reporting issue which will play a central role.

Mr. Bowers stated this would be the number one item in the next meeting of the Reporting Working Group.

Mr. Houston stated that he was not aware of a software package off the shelf that does what we need. He asked that if anyone was aware of such a software package to let him know. He said he would continue to search.

Rich Gilbert raised some other issues and concerns:

- There seems to be a lot of information flowing down from the federal government. He stated that his working group was struggling with the guidance, or lack of it, coming from the federal government.
- Agencies receiving money are not getting the guidance they need. They need to know the terms and conditions and the Task Force will need to pass information down to agencies as quickly as possible

There was discussion about entitlement vs. discretionary type grants and the different reporting requirements.

The following web sites were suggested as good ARRA information resources:

NASACT - then “What’s New” tab - This provides a lot of information regarding ARRA
cfda.gov - then search for “ARRA” - Then “New Info” tab

Mr. Eckstrom mentioned GAO’s study of 16 states which addressed accounting control issues for stimulus funds.

Guidance/ Reporting Working Group – Co-Chairs Frank Fusco and Butch Bowers
(Guidance and Review Working Group and Reporting Working Group have been combined)

See minutes of Guidance Working Group from May 21, 2009 - Next meeting May 28, 2009

See minutes of Reporting Working Group from May 14, 2009

Mission Statement:

To maintain transparency and accountability by providing detail reporting on how American Recovery and Relief Act funds received by the state of South Carolina were used.

Co-Chairman Bowers stated key questions that need to be answered are 1) who is required to report, 2) what is required to be reported, and 3) when is it reported. The Group agreed to follow guidance issued by the Office of Management and Budget (OMB) when trying to answer these questions.

Co-Chairman Frank Fusco discussed reporting deadlines, including the July and October deadlines. He said there were 16 states that may have to report by the July 10, 2009 deadline. There was discussion about South Carolina's ability to report at this early date.

Mr. Fusco further stated the Task Force need to determine if funds are discretionary or entitlement funds, since this dictates whether section 1512 reporting is required. He said the working group is looking for better definitions of these terms. Mr. Eckstrom asked if this was a question that might be answered now by the agencies. There was discussion about needing a specific statement from the federal government about which funds required section 1512 reporting rather than the Task Force trying to make this determination.

Nat Kaminski noted that the terms used in the ARRA, such as "discretionary", "entitlement" and "mandatory," seem to be terms that federal agencies have used for years but may not be consistent. Mr. Eckstrom stated that the Reporting Working Group needs to get clarification from OMB. Mr. Eckstrom indicated that questions from agencies about this issue need to be directed to the Reporting Working Group to get answers from OMB.

Frank Fusco stated that if other working groups and/or agencies have questions, it may be necessary to send out a Task Force survey to capture all of the information before going to OMB.

At the conclusion of this report, it was noted that co-chair Butch Bowers, an attorney in private practice, is donating his time to the Task Force which is appreciated.

Website Working Group – Scott Houston

See minutes from May 6, 2009. Next meeting will be scheduled when there are formal guidelines and rules issued by OMB.

Mission Statement:

To develop and utilize data bases and websites that will provide transparency and accountability for funds received and expended by state agencies in accordance with the provisions of the American Recovery and Reinvestment Act and the Governor's Executive Order.

The Web Site Working Group met May 6, 2009. Mr. Houston has also attended two other working group meetings and has gone over the web site reporting template with them.

Mr. Houston noted that he was open to any suggestions from the Task Force if there is a different approach that the State should be taking on developing a reporting prototype.

Mr. Eckstrom asked the Task Force members to advise the Web Site Working Group if there are issues that need to be addressed.

There was discussion that the web site prototype is not tied to STARS. There was discussion that it may be useful if agencies could avoid having to duplicate data entries by using data already entered in STARS. Scott Houston said he would be glad to look into this concern.

Mr. Eckstrom stated that the timeliness, accuracy, and completeness of the section 1512 reporting would be the major responsibility of the Reporting Working Group.

IV. **Discussion of OMB Memorandum:** Payments to State Grantees for Administrative Costs of Recovery Act Activities, dated May 11, 2009.

There was discussion that the OMB Memorandum on recovering administrative costs provided a mechanism for states to be reimbursed up front.

Two alternatives were contained in the guidance issued by OMB:

1. Allocation of cost based on estimated cost over the year.
2. Billed services allowing recoupment up front.

It was noted that central administrative cost recovery is capped at .005% of the total stimulus funds received by the State. In the case of South Carolina, assuming the State receives 2.8 billion in stimulus funds, the ceiling on the recovery of administrative costs for the all entities would be 14 million dollars. This cap applies to all local and state entities.

V. **Stimulus funds received by state agencies through the date of the meeting:**

Lt. Governor	40,813.96	
DHHS	240,192,023.66	
Employment Security	<u>39,064,858.73</u>	(\$25 increase in Unemp. Bnfts.)
 TOTAL	 \$ <u><u>279,297,696.35</u></u>	

VI. **Other Business:**

Mr. Eckstrom asked if there was any other business, questions or comments.

Frank Rainwater from the Treasurer's Office commented that Comptroller General Eckstrom and Treasurer Chellis had a good conversation concerning the Stimulus Task Force, the Executive Order signed by the Governor, and the recent proviso contained in the 2009-10 Appropriations Act. He stated that Treasurer Chellis appreciates all the hard work and hopes everything that the Task Force is doing will continue to move forward.

Next meeting of the Task Force was scheduled for June 25, 2009 from 10:00 to 12:00.

VII. **Adjournment:**

Meeting adjourned.